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LINES

Insurance News & Information

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THE TENNESSEE DEPARTMENT OF COMMERCE & INSURANCE

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In This Issue

- Letter from Commissioner
- Consumer Corner
- Disciplinary Actions
- Status of Proposed Rules
- Articles

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— Need Your Input —

Please let us know your thoughts about this newsletter and any input or thoughts you may have for future editions.

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Greetings from the Commissioner

Happy New Year! I hope you all had a safe and happy holiday season.

As you all are probably aware, I am leaving the Department of Commerce and Insurance in mid-January to return to private law practice. I have enjoyed the challenge of my position as Commissioner and I am proud to have worked with Governor Bredesen, the wonderful staff of the insurance division, and all of the insurance professionals that I have met over the last four years.



I am pleased with the success in improving the division's customer service and the changes we have made to make public information available to insurance consumers and professionals. I also hope this newsletter continues to be a useful tool for you all.

I have learned a great deal with this job. I know that the incoming Commissioner, Leslie Newman, will enjoy meeting and working with the companies and agents in Tennessee. I am grateful for your friendship and support.

Best Regards

Paula A. Flowers

Commissioner of the Department of Commerce and Insurance

ONLINE RENEWAL NOW AVAILABLE FOR TENNESSEE PROFESSIONALS

More than 242,906 Tennessee professionals who are licensed by the Department through the Tennessee Real Estate Commission, the Board of Architectural and Engineering Examiners, the Board of Accountancy, the Auctioneer Commission, the Board of Funeral Directors and Embalmers, the Burial Services and Cemetery programs, the Motor Vehicle Commission, the Board of Pharmacy and the Insurance Agent

Licensing Section can now enjoy the convenience of renewing their licenses online.

Applicants will enjoy the efficiency of instant confirmation when renewing their licenses. The online application provides immediate feedback when required information is omitted and automatically calculates the proper fees for the applicant.

CONSUMER CORNER:

How to evaluate insurance needs now that you are a senior

As an empty nester whose children have recently left home or a senior citizen, you're probably familiar with the basic facts about insurance. However, your needs at this stage of your life have likely changed significantly since you first purchased an insurance policy. For example, at this stage of your life, you may be planning to sell your home and retire to a new area, considering long-term care coverage or evaluating whether it makes sense to purchase an annuity. In addition, as a senior you may now qualify for certain discounts on your auto and homeowner's policies. To be sure, there are many important insurance decisions to consider during this phase of your life, making this a good time to re-evaluate your needs.

Late-in-Life Insurance

Now is a good time to re-evaluate your life insurance to determine whether you still need as much coverage as you did when your family was younger and you had a large mortgage on your home. Your circumstances have likely changed.

If you are covered by a group life insurance policy through your job and are planning to retire soon, inquire as to whether you can convert it to an individual policy.

Review your policies to determine whether you can decrease coverage. Consider these factors:

- Is your spouse alive?
- Is your home paid off?
- What other financial assets do you have in addition to life insurance?
- Are your children now financially independent?



- Do you have high current debts or anticipate estate taxes that would be a struggle for your survivors to pay off after you die?

Be sure to update your beneficiaries. For example, has your spouse died, or have you remarried?

If you have a cash value life policy, consider whether you can use some of the money built up in the policy to pay for long-term care insurance premiums, if long-term care insurance makes sense for you.

Once you reach age 59½, you are eligible to withdraw funds penalty-free from your 401K or IRA. At this time you may be considering the purchase of an annuity, a contract with an insurance company that promises to pay a series of income payments at regular intervals in return for premiums you have paid. Explore the different types of annuities available:

- Single premium
- Multiple premium
- Fixed
- Deferred
- Variable

If you are approached, make sure you examine whether an annuity makes sense for you in terms of your age and income needs.

Ask whether the annuity lets you tap into your principal if you should need it, or whether there are stiff penalty fees. Be sure you understand the fees associated with the annuity, as well as the special tax treatment of annuities: namely that income tax on annuities is deferred until you start receiving the income payments. ■

Consumer Corner Contact Information:

Director for Consumer Insurance Services: Vicki Trice
To file a complaint, please call 1-800-342-4029 or email cis.complaints@state.tn.us

The Consumer Insurance Services Section exists to serve all consumers protected by an insurance product in Tennessee. We're here to help you protect your rights and – when necessary – mediate complaints against insurers. We can offer valuable resources to help you evaluate and choose the right insurance product, to check on agents, companies and products, and to troubleshoot problems. ■

DISCIPLINARY ACTIONS

TDCI Disciplinary Actions Against Insurance Agents/Producers

Meika Deshean Britton (888404) Horn Lake, MS - Suspension on December 15, 2006, for child support arrears.

James Edward Brooks (725276) Lenoir City, TN - Revocation and Order assessing a civil penalty in the amount of \$1,000 was final on October 28, 2006, for financial irresponsibility and improperly withholding overcharged premium during a period of probation.

William Leslie Byles (912926) Nashville, TN - Suspension on December 15, 2006, for child support arrears.

Caleb Joe Carroll (838087) Martin, TN - Suspension on December 15, 2006, for child support arrears.

Ricci J. Conway (895692) Memphis, TN - Suspension on December 15, 2006, for child support arrears.

Jeffrey Bryan Cox (708683) Harriman, TN - Revocation and Order assessing a civil penalty in the amount of \$1,500 was final September 7, 2006, for misappropriation of premium and misrepresentation on his license renewal application.

Scott E. Donaldson (900897) Bybee, TN - Suspension on December 15, 2006, for child support arrears.

Clifton Dowell III (699902) Memphis, TN - Suspension on December 15, 2006, for child support arrears.

Norma Jayne Francisco (888457) Cumberland Gap, TN - Revocation and Order assessing a civil penalty in the amount of \$5,000 was final June 27, 2006, for misappropriation of premium and misrepresentation on her license renewal application.

Steven L. Gilmore (658953) Memphis, TN - Suspension on December 15, 2006, for child support arrears.

Timothy Neal Knight (823806) Knoxville, TN - Suspension on December 15, 2006, for child support arrears.

Tony Rene Liggins (762647) Memphis, TN - Suspension on December 15, 2006, for child support arrears.

Clinton Darnell Maclin (712402) Memphis, TN - Suspension on December 15, 2006, for child support arrears.

Martin Leon May (866312) Knoxville, TN - Suspension on December 15, 2006, for child support arrears.

D. W. Pointer (600846) Memphis, TN - Revocation and Order assessing a civil penalty of five hundred dollars (\$500) was final October 3, 2006, for misappropriation of premium.

Gregory Dewayne Tarton (872930) Memphis, TN - Suspension on December 15, 2006, for child support arrears.

David Marion Tillman (627679) Memphis, TN - Suspension on December 15, 2006, for child support arrears.

Jason Albert Tisdale (849243) Memphis, TN - Revocation and Order assessing a civil penalty of \$3,000 was final August 1, 2006, for misappropriation of premium.

TDCI Disciplinary Actions Against Insurance Companies

Check Guarantee Title Insurance Company - St. Louis, Missouri

Check Guarantee Title Insurance Company was fined five hundred (\$500) for failing to timely file its financial, statistical and loss data. Order was entered on December 20, 2006.

First American Title Insurance Company - Santa Ana, California

First American Title Insurance Company was fined two thousand five hundred dollars (\$2500) for five counts of failing to timely file its financial, statistical and loss data. Consent Order was entered on October 3, 2006.

Investors Title Insurance Company - Chapel Hill, North Carolina

Investors Title Insurance Company was fined five hundred dollars (\$500) for failing to timely file its financial, statistical and loss data. Consent Order was entered on November 21, 2006.

Southern Title Insurance Company - Richmond, Virginia

Southern Title Insurance Company was fined fifteen hundred dollars (\$1500) for three counts of failing to timely file its financial, statistical and loss data. Consent Order was entered on September 7, 2006. ■

STATUS OF PROPOSED RULES

Educational Requirements Amendments (0780-1-56)

- The amendments were filed for publication on December 5, 2006. The Rules will become effective on February 18, 2007.

Public Adjusters (0780-1-91)

- The proposed rules were filed on November 30, 2006. A hearing on the rules will be held on January 17, 2006.

Rating Appeals Before the Commissioner (0780-1-82)

- The proposed rules were filed on December 15, 2006. A hearing on the rules will be held on February 20, 2006.

A • R • T • I • C • L • E • S

New Flood Insurance Training Requirements

Section 207 of the Flood Insurance Reform Act of 2004 requires all producers selling flood insurance policies under the National Flood Insurance Program (NFIP) to be properly trained and educated about the NFIP to ensure producers may best serve their clients.

The Act directs the Director of the Federal Emergency Management Agency, in cooperation with the insurance industry, State insurance regulators, and other interested parties to establish minimum training and education requirements for all insurance agents who sell flood insurance policies. FEMA and state approved continuing education providers are developing courses related to the NFIP. An insurance producer who sells flood insurance may satisfy the minimum training and education requirements by completing a course related to the NFIP, which may be approved for three hours of continuing education credit by the Tennessee Department of Commerce and Insurance. The failure to comply with this continuing education requirement may jeopardize the producer's authority to write insurance through the NFIP.

Workers Compensation Loss Cost Changes

Commissioner of Commerce and Insurance Paula Flowers approved a 1.4% overall increase in workers compensation loss costs effective March 1, 2007, as filed by the National Council on Compensation Insurance.

Loss costs are one key factor in determining premium. The change applies to the new and renewal coverage. Among industry groups affected, contractors will receive an average increase of 4.5%, office

and clerical an average increase of 2.5%, goods and services an average decrease of 1.4%, while the miscellaneous group increases on average 3.6%.

Loss costs represent the loss and loss adjustment expense portion of what is charged by insurance companies for workers compensation coverage. Other expenses incurred by individual carriers to issue and service policies, as well as profit, contingencies, and loss cost modifications must be factored in as well in determining the final rate.

Department of Commerce and Insurance Releases Medical Malpractice Claims Report

The Tennessee Department of Commerce and Insurance has completed preparation of the 2006 Medical Malpractice Claims Report to the Tennessee General Assembly.

The report is required by state law adopted in 2004 as a result of a study committee conducted by the General Assembly. Tennessee law requires insurance companies and uninsured health care professionals and facilities to report medical malpractice claims data to the Department over a four year period. The Department then prepares a summary of the claims and cost information.

The report contains information regarding medical malpractice claims pending or resolved in 2005, and the amounts paid in damages, settlements, and expenses for medical malpractice claims.

This is the second of four annual reports quantifying the frequency and cost of medical malpractice claims in Tennessee.

Based upon financial data reported to the Department, insurance companies wrote over \$341 million in medical malpractice

premiums in Tennessee in 2005. According to the submitted medical malpractice claims information, Tennessee trial courts issued five medical malpractice judgments totaling \$6,075,724. In 2005, over 2,366 medical malpractice claims were resolved by insurance companies and uninsured health care facilities. Eighty-three percent (83%) of these claims resolved in 2005 resulted in no payment of damages. Settlement of claims occurred for sixteen percent (16%) of medical malpractice claims in 2005 and resulted in payment of damages totaling \$119,091,990. Expenses paid in 2005 for defense of medical malpractice claims totaled \$61,768,804. Insurance companies reported that financial reserves established in 2005 for Tennessee medical malpractice claims totaled \$822,098,399. Approximately 5,680 open medical malpractice claims were identified as of December 31, 2005, with 295 of those claims first originating in 2005.

A copy of the report is available at the Department's website at www.tennessee.gov/commerce.

Insurance Producers and Business Entities Renew For Two Years Effective January 2007

Beginning January 2007 insurance producer and business entity licenses will be renewed for 24 months (two years).

Renewals received and processed by the Department after December 31, 2006 will be required to renew for 24 months (two years). The two year fee, if received prior to license expiration date, is: insurance producer - \$60.00; limited insurance producer - \$30.00; and business entity - \$60.00. **LATE FEES ARE DOUBLE THE RENEWAL FEE.**

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How will the two year license affect continuing education requirements?

Currently insurance producers must complete 12 hours of study in approved courses with an approved education provider.

This will not change for those producers renewing in either 2007 or 2008. However, the continuing education requirement will be 24 hours for subsequent renewals for all producers renewing in 2009 and thereafter.

If continuing education is not received in the Agent Licensing Section prior to the expiration date, the license will CANCEL. **NOTE:** There are only two categories of persons exempt from continuing education requirements: (1) An insurance producer who at the time of renewal is at least sixty five years of age; (2) An insurance producer who has been continuously licensed in Tennessee as an insurance producer or an insurance agent for no less than the last fifteen years. If the producer does not meet one of the exemptions, continuing education must be completed and filed with the department prior to renewing. ■

TDCI announces new Chief Examiner and Directors

Larry C. Knight Jr. - Chief Examiner
Judith Nash - Director For Fraud Investigations
Vicki Trice- Consumer Insurance Services Director
Shawn Hawk- Actuarial Services Director

These dedicated employees enter into their new roles with years of insurance experience. We would like to congratulate and wish them well.

Online Renewal...cont.

While the standard U.S. mail renewal process is still an option, applicants are strongly encouraged to use the online application. The online renewal application for the above mentioned programs can be accessed at www.tnanytime.org/cirens. ■

FOR RECENT COMPANY RATE FILINGS INFORMATION

Go to:

www.state.tn.us/commerce/insurance/consumerRes.html

If you have questions/changes concerning your agent license, please visit www.state.tn.us/commerce and check out our Agent Licensing Resource page. This office is responsible for the licensing and regulation of insurance agents. Approximately 106,000 agents are licensed to do business in Tennessee.

For recent bulletins released by the Insurance Division please visit:

<http://state.tn.us/commerce/insurance/bulletins.html>